



California Budget
& Policy Center

California Budget Perspective 2016-17

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ADVANCEMENT PROJECT WATER COOLER
SACRAMENTO

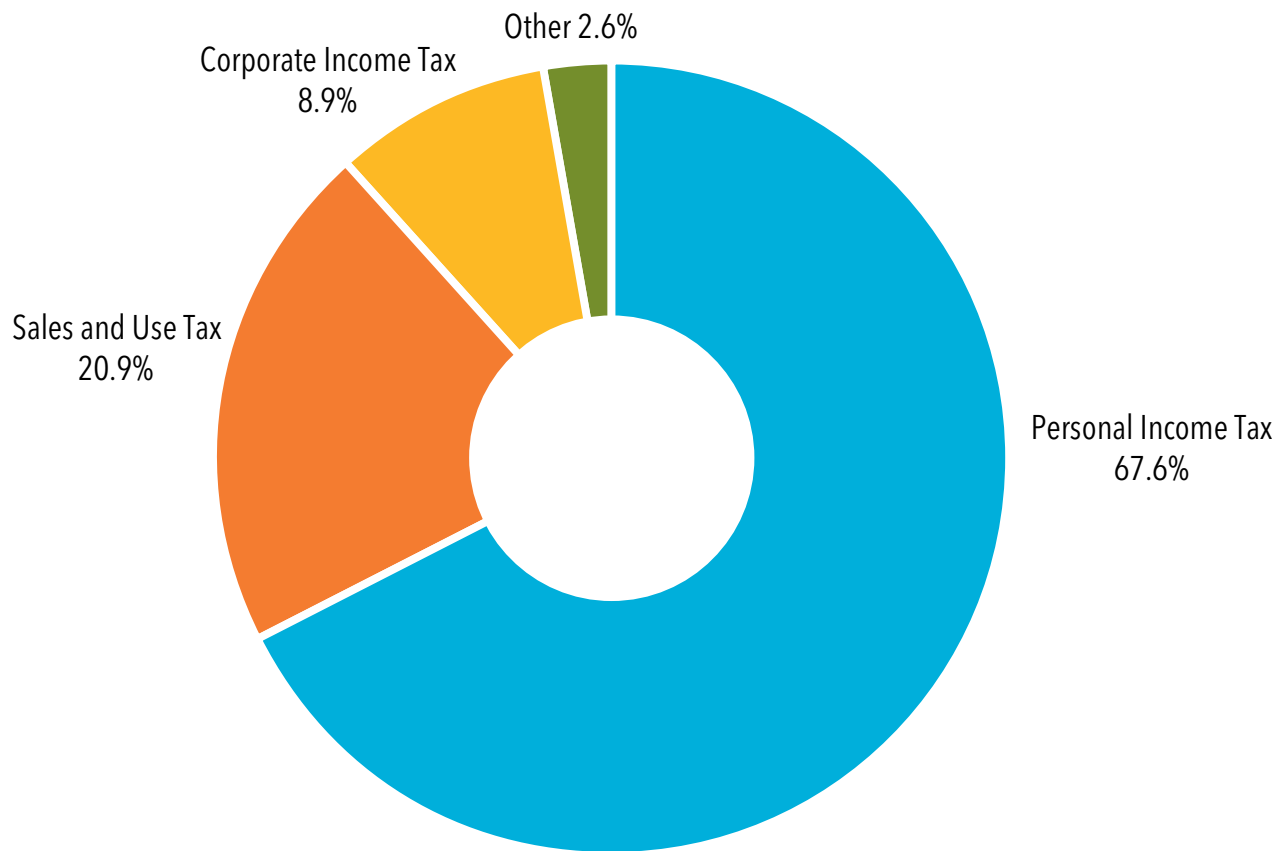
Three Issues That Frame the Governor's Revised Budget Proposal

- Recent revenue projections that are lower than expected.
- The coming expiration of personal income and sales tax rate increases approved by voters in 2012.
- Constitutionally-required and supplemental deposits to the state's "rainy day fund" (Budget Stabilization Account).



The Personal Income Tax Is Projected to Account for Two-Thirds of California's General Fund Revenues

Projected 2016-17 General Fund Revenues = \$123.4 Billion



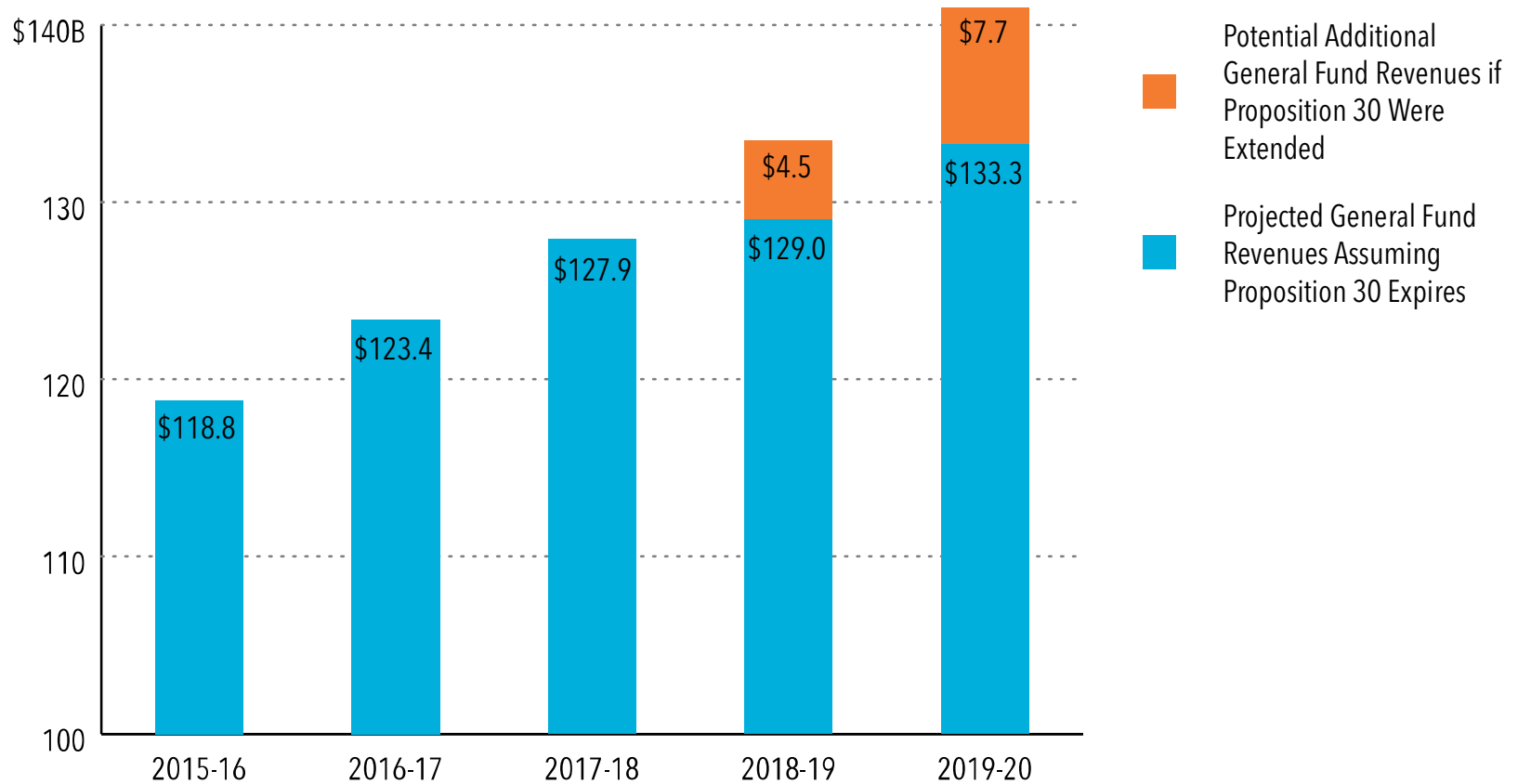
Note: Reflects total projected General Fund revenues before a \$1.3 billion transfer to the state's rainy day fund as required by Proposition 2, the ballot measure passed by voters in November 2014, and an additional \$2 billion transfer proposed by the Governor.

Source: Department of Finance



Expiration of Proposition 30's Personal Income Tax Rate Increases Would Leave Permanent Gap in State Revenues

General Fund Revenues Before Transfers to the Budget Stabilization Account, in Billions



Note: 2015-16 is estimated; 2016-17 onward are projected. Additional revenues for 2018-19 and 2019-20 assume that personal income tax (PIT) revenue growth under an extended Prop. 30 would reflect the Administration's projected underlying PIT growth rate absent Prop. 30 taxes.
Source: Department of Finance (DOF); Budget Center calculations based on DOF data



The May Revision and Proposition 2

The Governor's revised proposal continues to set aside \$2 billion more for the state's rainy day fund than required by Proposition 2 (2014).



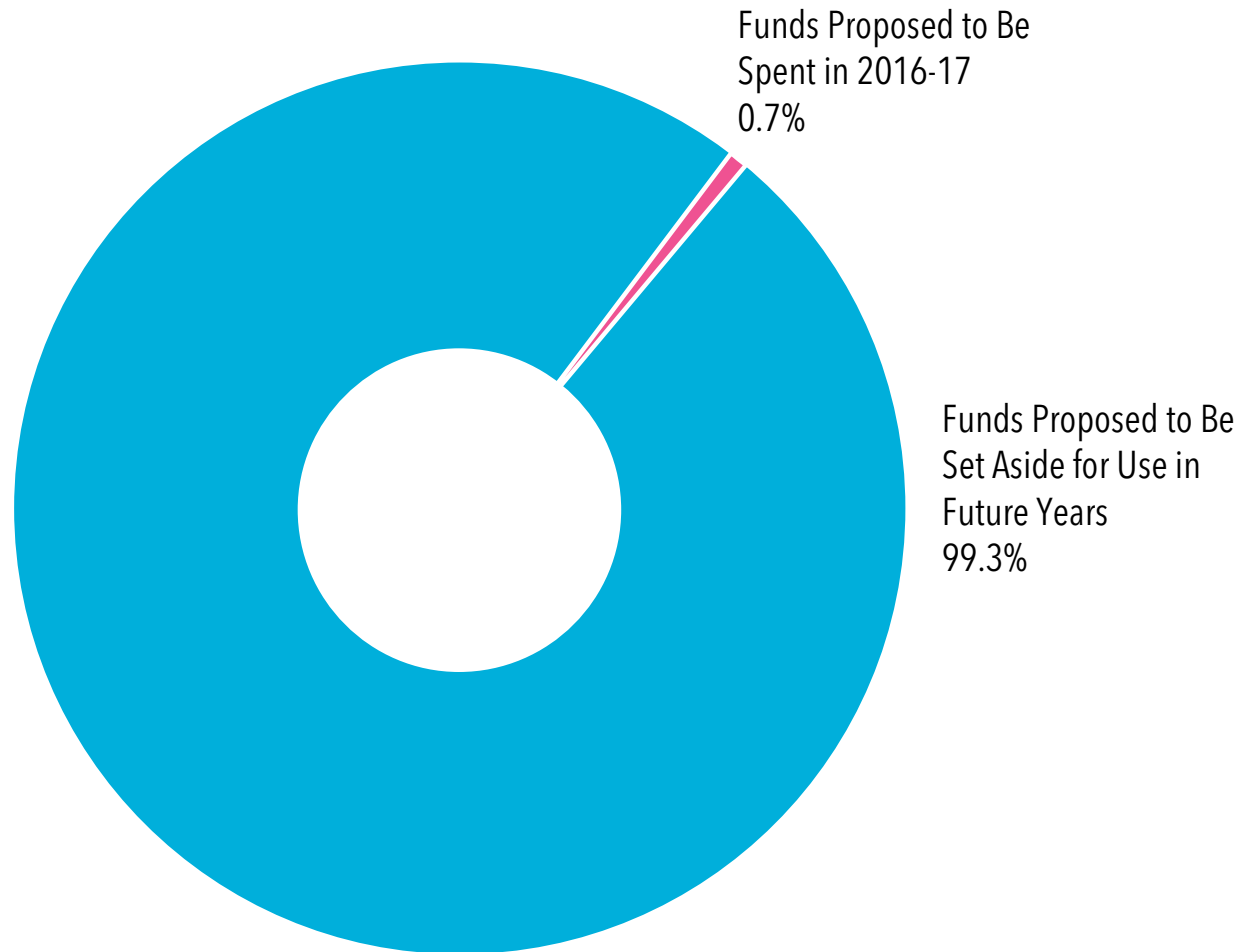
The May Revision continues to set aside funds by allocating them to infrastructure – but delays spending the funds.

Of the \$1.5 billion set aside for state buildings projects, very little would be spent in 2016-17 and only 20 percent would be used by 2019-20.



Just a Fraction of the Dollars Proposed for State Buildings Projects Would Be Used in 2016-17

General Fund Revenues Set Aside in 2016-17 Under the Governor's Proposal = \$1.5 Billion

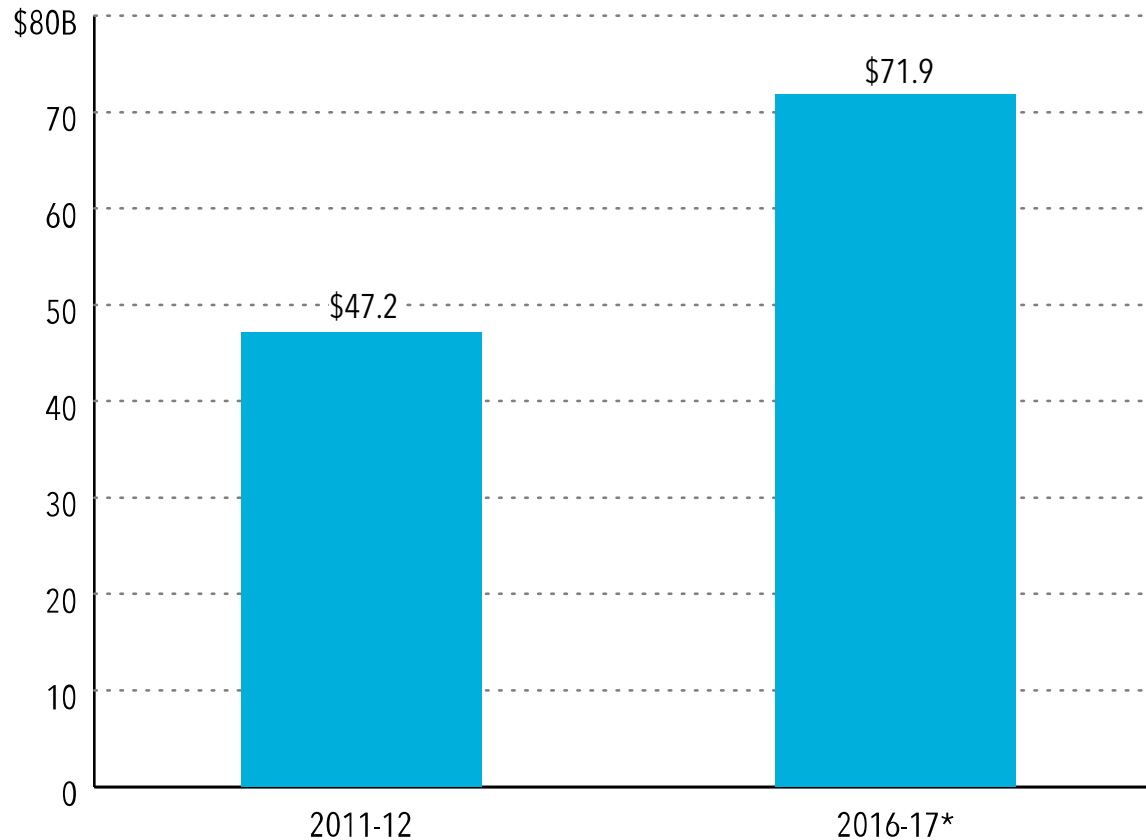


K-12 Education and California's Community Colleges

**Higher revenues allow for increases in K-14
education spending.**



Increased Revenues Boost K-14 Education Spending to More Than \$70 Billion, Over 50 Percent Above 2011-12 Proposition 98 Spending, Not Inflation-Adjusted



* 2016-17 proposed per May Revision.

Note: Proposition 98 spending includes both state General Fund and local property tax dollars and excludes child care.

Source: Legislative Analyst's Office



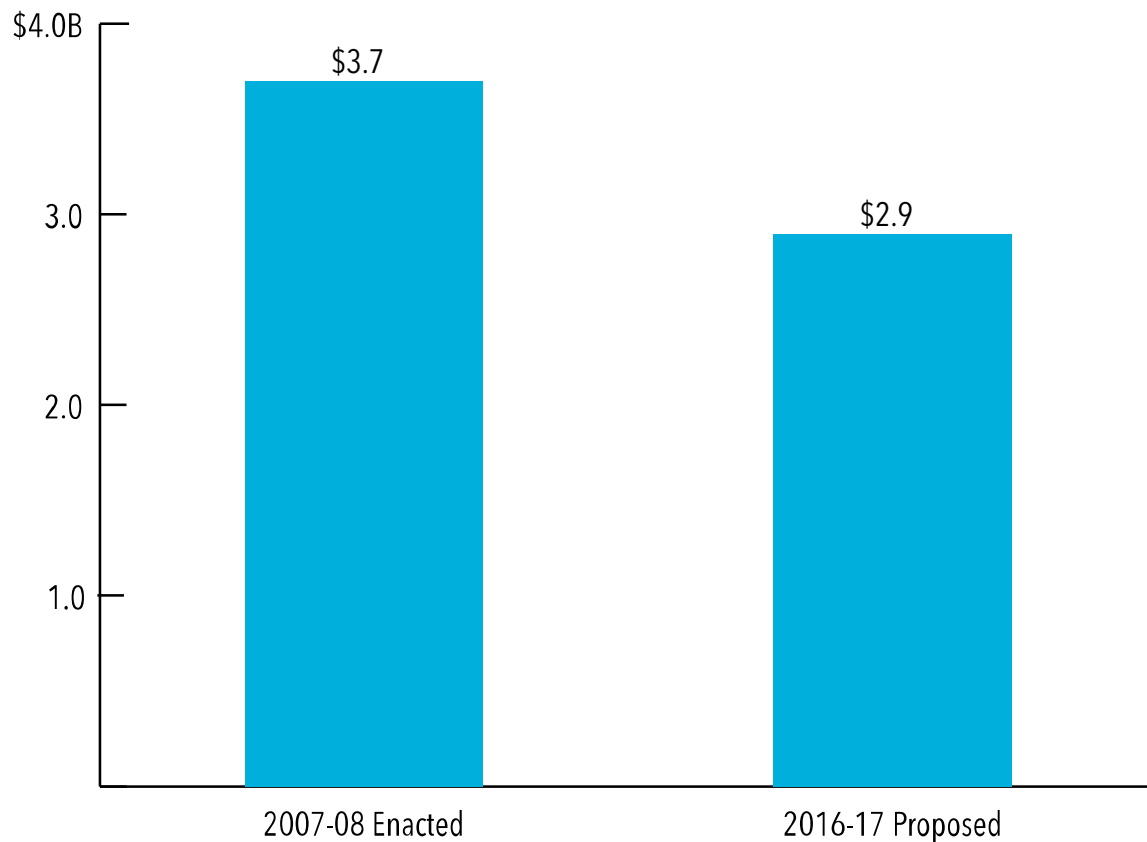
Early Education: Preschool and Child Care

Proposed spending remains below pre-recession levels despite a small boost in funding, and the Governor proposes structural reforms to the pre-K and child care systems.



Annual Funding for Child Care and Preschool Remains More Than 20 Percent Below the Pre-Recession Level

Total Funding for Subsidized Child Care and Preschool in California, Inflation-Adjusted



Note: Figures are in 2016-17 dollars and include federal and state funds for slots as well as for quality and support programs. Child care includes CalWORKs and non-CalWORKs programs. Preschool does not include Transitional Kindergarten.

Source: California Department of Education and Department of Finance



The May Revision Details Plan for Early Education Block Grant

- The Governor's January budget proposed consolidating funding for the state preschool and Transitional Kindergarten programs into a single funding stream, the "Early Education Block Grant."
- The May Revision proposes to implement the block grant in 2017-18, one year later than proposed in January.
- As proposed in January, initial funding for the block grant would be set at \$1.6 billion, which represents no significant additional investment in early learning programs.



Legislature Rejects Governor's Early Childhood Education Proposals

- **Senate:** Provides \$101 million to increase the Regional Market Rate and Standard Reimbursement Rate and to fund 2,000 additional child care slots.
- **Assembly:** Provides \$619 million to support an Early Care and Education Plan that includes:
 - Increases to the Regional Market Rate, Standard Reimbursement Rate, and license-exempt rates;
 - Funding for 10,000 new preschool slots and 6,000 new child care slots; and
 - Additional investments for the Quality Rating and Improvement System.



Budgets are not outcomes.

Budgets are tools for advancing our state's values and priorities and reflect Californians' collective effort to help strengthen our communities and ensure the continued vibrancy of our state.





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